

# **THE MEXICAN MARKET FOR INDUSTRIAL MACHINERY**

**Prepared For**

**State of Washington  
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**By**

**Trade Management Services, Inc.**

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## **Market Overview**

Mexico's overall manufacturing activity declined from 2001 to 2003. During 2003 only 21 of the 49 sectors that comprise Mexico's manufacturing industry reported increases in production. The manufacturing of automotive parts and supplies, metal furniture, electric equipment, construction, oil extraction, electricity generation and foods processing are among the industries that reported growth during the year. Imports of capital goods during the year decreased 3.7% as a result of the decline in investment and industrial activity. In December 2003 however some sectors that had remained static during the year began to show signs of recuperation. These sectors include beer manufacturing, food processing and paper and paperboard manufacturing. Economic analysts forecast 2.9% growth in industrial activity for 2004 and 3.1% for 2005. Preliminary results for the first quarter of 2004 show that the Mexican economy grew 3.7% over the same period in 2003, and imports of capital goods increased 5.9% during the same quarter. This growth was principally due to increases in industrial activity and services.

## **Customer Profile**

This report will focus on the industrial sectors that are the leading consumers of industrial machinery, equipment and tools in Mexico. These are the automotive parts and supplies, food processing and packaging and metal products manufacturing.

### The Automotive Parts Industry

The automotive parts manufacturing sector plays an essential role within Mexico's industrial activity. It has been one of the most dynamic manufacturing sectors in recent years because of its significant participation in exports. In 2002, exports of automotive parts and supplies represented 7% of the country's total exports of manufactured goods, and in 2003 this participation rose to 7.3%. Local demand for automotive parts is also significant. An average of 800,000 new cars were sold annually in Mexico in 2000 and 2003.

According to Mexico's National Automotive Parts Institute (INA), over 1,000 manufacturers of automotive parts are located in the country's main cities such as Mexico City, Aguascalientes, Monterrey, Puebla, State of Mexico, and Queretaro. These manufacturers are direct suppliers to the auto makers in the country and also supply foreign customers. A selection of these manufacturers are included in the Key Contacts section of this report..

Machinery used by the automotive parts industry is included under Harmonized Tariff Codes (HTC) 8457 (machining centers of unit construction to work metal), 8458 (lathes for removal of metal, including turning centers), 8459 (machine tools for drilling, boring, milling), 8461 (machine tools for shaping, slotting, gear cutting) and 8456 (machine tools for material removal by laser). There does not appear to be any significant local production of these types of machines. The United States is the leading supplier for machinery for these applications, followed by Japan and Germany (Figure 1).

Figure 1. Imports of Auto Parts Manufacturing Machinery in Millions USD

Country of Origin	2002	2003
United States	117.1	98.9
Japan	67.6	74.7
Germany	98.6	50.1
Others	123.6	86.8
Total	406.9	310.5

Source: World Trade Atlas

Note: Data are based on HTC classifications 8456, 8457, 8458, 8459 and 8461.

### The Food Processing and Packaging Industry

According to the Mexican Bureau of Statistics (INEGI), food preserves production was valued at US\$ 1.6 billion in 2002, an increase of 6% over the previous year. Other sources value the food processing industry at up to US\$ 3.0 billion. Exports of processed foods products from Mexico have remained relatively stable at approximately US\$ 600 million annually since 1998. The positive growth of the food processing industry in Mexico is due to local demand for these products and to a growing export market. At the same time that the overall market has registered growth, the industry has been undergoing a process of consolidation. Numerous smaller companies have left the market with their share absorbed by the larger, more efficient and financially stable producers. This trend of consolidation is expected to continue over the next five years resulting in the closing of some manufacturing operations, particularly those serving limited markets and operating with older machinery and less efficient technology.

Mexico's food processing industry is dominated by a dozen large companies including Herdez, Conservas La Costeña, Del Monte, Nestle, Campbell's de Mexico and Jugos del Valle. These companies operate plants near the source of their primary inputs and market their products both domestically and abroad. Their plants are modern and efficient and have ISO 9000 certification. The remaining players in the industry are small and medium sized, usually operating only one plant. Their markets tend to be regional, few have national coverage and fewer export.

The large companies make a variety of food products packed in glass, metal cans, laminated cardboard and plastic containers and film. Overall, most products are packed in laminated cardboard and plastic. Only about thirty companies pack in metal cans.

Food processing machinery as classified under HTC Chapter 8438 includes primarily machinery for the industrial preparation or manufacture of food or drinks. Packaging machinery is included in HTC Chapter 8422. Machinery in this category primarily consists of manufacturing machinery and equipment for canning, container cleaning, filling, bagging, binding, bottling, capping, sealing, check-weighting, wrapping, shrinking, case forming, labeling and encoding, price tagging, palletizing and de-palletizing, grouping, inspecting packaging, testing machines and other special equipment.

The demand for food processing and packaging machinery and equipment traditionally has been met by imports since Mexico still lacks capabilities for advanced design and manufacturing of such equipment. Local production of food processing equipment includes unsophisticated equipment such as mixers, tortilla makers, bakery ovens and meat slicers. The United States is the leading supplier of machinery for this industry

followed by Germany and Italy (Figure 2). In the specific case of packaging equipment, Italy slightly surpassed the United States as a source of imports to Mexico in 2003.

Figure 2. Imports of Food Processing Machinery and Equipment in Millions USD

Country of Origin	2002	2003
United States	50.6	53.6
Germany	43.3	40.3
Italy	22.2	40.8
Spain	8.0	8.2
Other	43.1	59.0
Total Imports	167.2	201.9

Source: *World Trade Atlas*

Note: Data are based on HTC classification 8438.

Figure 3. Imports of Food and Beverage Packaging Equipment in Millions USD

Country of Origin	2002	2003
United States	99.1	121.8
Italy	84.1	122.6
Germany	61.8	64.1
Spain	13.1	14.3
Other	73.6	104.4
Total Imports	331.7	427.2

Source: *World Trade Atlas*

Note: Data are based on HTC classification 8422.

### The Metal Products Manufacturing Industry

Manufacturing production of metal products, including machinery, non-electric equipment, structural metal products and non-ferrous metals declined in Mexico from 2001 to 2003. As a result, imports of machine tools and metal forming equipment utilized by these industries decreased at the same time. Imports of machine tools and equipment under HTC classifications 8207, 8415, 8462, 8477 and 8480 totaled US\$ 2.1 billion in 2002 and US\$ 2.0 billion in 2003. Local production of advanced technology machine tools and metal forming equipment appears to be minimal. The leading sources for these products are the United States, Germany, and Japan. The domestic manufacturing industry was composed of 1,205 producers of metal products, machinery and equipment in 2002, according to INEGI.

Figure 4. Imports of Machine Tools and Metal Forming Equipment in Millions USD

Country of Origin	2002	2003
United States	1,012.3	892.8
Germany	184.4	217.6
Japan	221.1	174.4
Other	703.1	718.2
Total	2,120.9	2,003.0

Source: *World Trade Atlas*

Note: Data are based on HTC classifications 8207, 8515, 8462, 8477 and 8480.

## **Market Access**

Industrial machinery, equipment, and tools are promoted and advertised directly through local distributors. These usually have showrooms with some of the machines they sell, and also promote the machinery they distribute at industrial trade shows. Distributors of industrial machinery in Mexico commonly represent various brands and manufacturers, products from different countries and often different product lines. Most representatives are located in Mexico City and claim the ability to serve the whole country. In response to strong demand for their products, some foreign machinery and tools manufacturers have established their own sales and distribution offices in the country, such as German and Japanese suppliers to the automotive industry and Italian equipment suppliers to the food processing and packaging industries. The manufacturer's subsidiaries and independent distributors both commonly offer technical support, maintenance services, spare parts and operator training. Many also operate branch offices in Monterrey and Guadalajara, Mexico's two other leading industrial cities. Some foreign manufacturers also establish joint ventures with local distribution firms to take advantage of the market knowledge of long-established Mexican companies.

In addition to price and type of products, the decision to select an industrial machinery or equipment supplier often depends on the commitment to after-sales service. One other important decision-making factor reported by industry sources is the availability of required spare parts.

Industry specific national chambers often publish bulletins for their members in which manufacturers may advertise their products. Advertising in specialized industry media is an effective promotional tool as well. Information on industry events, organizations and specialized media is included in the Key Contacts section of this report.

## **Opportunities**

The following are examples of areas of opportunity in Mexico for manufacturers of industrial machinery and equipment. These are taken from government and industry reports.

- Auto parts manufacturer Metalsa, S. de R.L. recently won new contracts to supply frames for DaimlerChrysler and Toyota. Production will need to be expanded significantly to meet the expected 20% increase in demand.
- The Mexican Automobile Industry Association (AMIA) has announced estimated investment of US\$ 5 billion by 2007 to meet projected increases in production needs.
- Beverage bottler Arca plans to invest US\$ 60 million in 2004 to expand its bottling plants and distribution operations.
- Kelloggs will invest US\$35 million in 2004 to construct a new plant to produce cereal bars in the City of Toluca.

## **Regulatory Environment**

### Import Requirements

There are virtually no import barriers for industrial machinery, equipment, and tools. The general import climate for capital goods in Mexico is favorable. Mexico's Free Trade Agreement with the European Community has also eliminated import tariffs for these

products. Although European imports have done well in the Mexican market, the higher value of the euro vs. the dollar will continue to make U.S. machinery attractive for smaller and medium sized Mexican manufacturers.

A Mexican company that wants to import must register with the Secretaria de Economia. This is a one-time procedure that can be accomplished when the company is formally set up to do business. If importing is not included in the original description of corporate activities at the time of incorporation, the company can request an extension of its authority to operate as an importer at a later date. In either case, the company is given a registration number that should appear on import documentation, including the commercial invoice. To facilitate matters, the U.S. exporter should obtain the importer's import registration number when an order is accepted and before shipping. Failure to do so could result in delays.

### Certificates

To qualify for NAFTA preferential treatment, U.S. exporters are required to include a NAFTA certificate of origin with shipping documentation. The certificate of origin should be completed and signed by the exporter and may cover a period of time up to one year.

### Standards

Mexico has mandatory standards that certain products must meet, which are called Normas Oficiales Mexicanas - NOMs. Our research indicates that there are no specific NOMs applicable to industrial machinery and equipment. It is highly recommended however for a U.S. exporter to verify applicable NOMs and tariffs with a Customs broker before shipping any products to Mexico. For further information on NOMs please consult a Customs broker or contact the Dirección General de Normas of the Secretaría de Economía included in the Key Contacts section of this report.

According to the Mexican standard NOM-EM-004-RECNAT-1996 issued on July 5, 1996, due to phytosanitary reasons, all products that are imported inside a wooden box or container or having wood packaging may be inspected at the point of entry to Mexico.

### Labeling

Industrial machinery and equipment is not required to have an Spanish label affixed to the equipment; however, the following information in Spanish is required to be shown on the box:

- Name and address of the importer
- Importer's taxpayer registry (RFC)
- Name and address of the exporter
- Country of origin
- Trademark and commercial brand name of the product
- Product handling, use, and care instructions
- Description of the product in cases when the product is not visible
- Warning and precautions, if applicable
- Expiration date, if applicable

## Taxes

Taxes that will apply to industrial machinery imported into Mexico include the Value Added Tax (VAT) of 15% and the Mexican Customs processing fee of 0.08% on the value of the merchandise.

## **Key Contacts**

### Leading Auto Parts Manufacturers

Delphi Automotive Systems  
Plutarco Elias Calles 1210  
Col. Fovissste Chamizal  
32310 Ciudad Juarez, Chihuahua  
Tel. (52)(656) 629-7100  
Web: [www.delphiauto.com](http://www.delphiauto.com)

Lear Corporation Mexico, S.A. de C.V.  
Av. Tlahuac 6732  
Col. Santiago Zapotitlan  
13300 Mexico, D.F.  
Tel. (52)(55) 5862-3800  
Web: [www.lear.com](http://www.lear.com)

Visteon de Mexico  
Sierra Candela 111 – 306  
Col. Lomas de Chapultepec  
11000 Mexico, D.F.  
Tel. (52)(55) 5249-6800; 5249-6823  
Web: [www.visteon.com](http://www.visteon.com)

### Trade Organizations

Camara Nacional de la Industria de Connservas Alimenticias, A. C.  
(National Chamber of Canned Food Preserves)  
Leibenitz 206  
Col. Anzures  
11590 Mexico, D. F.  
Tel. (52-55) 5203-3886, 5203-3370  
Contact: Waldemar Montalvo  
Email: [waldemarmontalvo@canainca.org](mailto:waldemarmontalvo@canainca.org)  
Web: [www.canainca.org](http://www.canainca.org)

Asociacion Mexicana de Distribuidores de Maquinaria (AMDM)  
(Mexican Association of Industrial Machinery Distributors)  
Petrarca 232  
Col. Chapultepec Morales  
11570 Mexico, D.F.  
Tel. (52)(55) 5531-6976  
Web: [www.tecma.org.mx](http://www.tecma.org.mx)  
Email: [esalazar@tecma.org.mx](mailto:esalazar@tecma.org.mx)  
Contact: Esther Salazar

Camara de la Industria Alimenticia de Jalisco  
(Jalisco Food Industry Chamber )  
Av. Washington 1920, pisos 1 y 2  
Col. Moderna  
44190 Guadalajara, Jalisco  
Tel. (52)(33) 3810-4177 or 3810-4178  
Web: [www.ciaj.org.mx](http://www.ciaj.org.mx)  
Email: [carlos.luna@ciaj.org.mx](mailto:carlos.luna@ciaj.org.mx)  
Contact: Carlos Luna, Director

Packaging Machinery Manufacturers Institute (PMMI)  
Homero 538, Desp. 803  
Col. Polanco  
11570 Mexico, D.F.  
Tel. (52)(55) 5545-4254  
Web: [www.pmmi.org](http://www.pmmi.org)  
Email: [latina@pmmi.org](mailto:latina@pmmi.org)  
Contact: Lourdes Toriz

Asociacion Mexicana de Empaque y Embalaje (AMEE)  
(Mexican Association of the Packaging Industry)  
Homero 538 - 101  
Col. Chapultepec Morales  
Mexico, D.F.  
Tel. (52)(55) 5545-6258  
Web: [www.amee.org.mx](http://www.amee.org.mx)  
Email: [jmartinez@amee.com.mx](mailto:jmartinez@amee.com.mx)  
Contact: Jorge Martinez, Director General

Industria Nacional de Autopartes (INA)  
(National Industry of Automotive Parts)  
Av. Colonia del Valle 607  
Col. Del Valle  
03100 Mexico, D.F.  
Tel. (52)(55) 5682-5862  
Web: [www.ina.com.mx](http://www.ina.com.mx)  
Email: [ina@ina.com.mx](mailto:ina@ina.com.mx)  
Contact: Ramon Suarez, Director General

## Trade Events

### Expo Manufactura

February 22-24, 2005

Cintermex

Monterrey, Nuevo Leon

Organizer:

EJ Krause

Insurgentes Sur 664, 4o. Piso

Col. Del Valle

03100 Mexico, D.F.

Contact: Alejandro Anchondo

Email: [alejandro@ejkrause.com](mailto:alejandro@ejkrause.com)

Web: [www.expomanufactura.com.mx](http://www.expomanufactura.com.mx)

Expo Manufactura is the largest and most important manufacturing technology trade show in the country. The show has been held annually for the last eight years.

### TECMA 2005

March 8-11, 2005

Expo Santa Fe

Mexico City, Mexico

Organizer:

Asociacion Mexicana de Distribuidores de Maquinaria (AMDM)

Petrarca 232

Col. Chapultepec Morales

11570 México, D.F.

Tel. (52)(55) 5531-6976

Contact: Esther Salazar

Email: [esalazar@tecma.org.mx](mailto:esalazar@tecma.org.mx)

Web: [www.tecma.org.mx](http://www.tecma.org.mx)

TECMA is the only major show in Mexico specialized in machine tool technology, related equipment and peripherals. TECMA 2005 will be the eleventh show edition.

### Expo Pack Mexico

June 22-25, 2004

Expo Santa Fe

Mexico City, Mexico

Organizer:

OPREX, S.A. de C.V.

Berna 6, piso 7

Col. Juárez

06600 México, D.F.

Tel. (52)(55) 5241-04 00

Email: [inform@oprex.com.mx](mailto:inform@oprex.com.mx)

Web: [www.expopack.com.mx](http://www.expopack.com.mx)

Expo Pack Mexico is the leading trade show in Mexico targeting manufacturers of machinery, equipment, and technologies for the packaging industry.

### ExpoEmpaque

February 9-11, 2005

Cintermex

Monterrey, Nuevo Leon

Organizer:

Giprex

Monterrey, Nuevo Leon

Tel. (52)(81) 8347-8560

Contact: Lili Ordaz

Email: [liliordaz@giprex.com](mailto:liliordaz@giprex.com)

Web: [www.expoempaque.com](http://www.expoempaque.com)

ExpoEmpaque 2004 was the fourth annual edition of the show. The show targets manufacturers of packaging equipment. The 2004 edition introduced *Expo Procesos Alimenticios*, a side trade show targeting manufacturers of food processing machinery and equipment.

### Government Contacts

#### Secretaria de Economia

Direccion General de Normas

Av. Puente de Tecamachalco 6

Col. Lomas de Tecamachalco

53950 Estado de Mexico

Tel. (52)(55) 5729-9300

Web: [www.economia-noms.gob.mx](http://www.economia-noms.gob.mx)

### Industry Publications

#### Reportero Industrial Mexicano (RIM)

Balboa 813

Col. Portales

03300 Mexico, D.F.

Tel. (52)(55) 9116-9502

Email: [ventas@reporteroindustrial.com.mx](mailto:ventas@reporteroindustrial.com.mx)

Web: [www.reporteroindustrial.com.mx](http://www.reporteroindustrial.com.mx)

RIM is a monthly bulletin designed to promote machine tools, industrial machinery, and packaging and handling machinery.

Enfasis Packaging and Enfasis Alimentacion

FLC, S.A.

Aniceto Ortega 647

Col. Del Valle

03100 Mexico, D.F.

Tel. (52)(55) 5575-3568

Contact: Andrea Benitez

Email: [abenitez@enfasis.com](mailto:abenitez@enfasis.com)

Web: [www.enfasis.com](http://www.enfasis.com)

Enfasis Packaging is a bi-monthly publication covering the latest news and trends in the packaging industry. Enfasis Alimentacion is a bi-monthly publication with a focus on the food industry, including food processing machinery and equipment. Both magazines are distributed in Mexico, Chile, and Argentina.

Directorios Industriales

Calle 14 No. 45

Col. San Pedro de los Pinos

03800 Mexico, D.F.

Tel. (52)(55) 5516-0328 or 5272-9669

Fax. (52)(55) 5515-1870

Contact: Emilio Arreguin

Email: [dir@dirind.com](mailto:dir@dirind.com)

Web: [www.dirind.com](http://www.dirind.com)

Directorios Industriales publishes directories for the food, metal-mechanic, electric and electronics industries. Companies listed include manufacturers and distributors of equipment and machinery for these industries. Directories can be consulted online at no charge, and are a good tool to identify possible local distributors, clients, or end users.